



STATE OF NORTH CAROLINA  
DEPARTMENT OF TRANSPORTATION

MICHAEL F. EASLEY  
GOVERNOR

LYNDO TIPPETT  
SECRETARY

July 12, 2006

MEMORANDUM TO: AGC-DOT Joint Cooperative Committee Members

FROM: E. C. Powell, Jr., PE  
State Construction Engineer

SUBJECT: Minutes to the Joint Committee Meeting

The Joint Cooperative Committee of the AGC-DOT met at 10:00 AM on May 18, 2006, in the Emergency Information Center Conference Room of the Transportation Building.

Members and attendees present included:

Debbie Barbour  
Victor Barbour  
Roberto Canales  
Bill Copeland  
Susan Coward  
Steve DeWitt  
Brad Goodson  
Kenny Haynes  
Berry Jenkins  
Cecil Jones

Michael Long  
Michelle Long  
Art McMillan  
Graham Moore  
Jon Nance  
Dan Peter  
Ellis Powell  
Bill Rosser  
Len Sanderson

Kalliopi Sgouros  
Ron Shaw  
John Sullivan  
Shannon Sweitzer  
Jimmy Travis  
Mark Tyler  
Steve Varnedoe  
Don Voelker  
Sim Wooten, Jr.

*Funding Update.....Len Sanderson*

- Mr. Len Sanderson provided a presentation reviewing the preliminary 36-month Cash Flow Forecast based on the TIP letting list including Design-Build, Design-Bid-Build, and Purchase Order projects which indicates that at the end of year 2008 there will be a \$700M deficit. Steps are currently being implemented to prevent/minimize this deficit, including adjustments in project lettings and using better strategies to more accurately model project costs. Mr. Sanderson also discussed possible scenarios for reducing the Department's overall payout such as eliminating the \$80M transfer to the General Fund, delaying lettings, cutting all programs by a certain percentage (not recommended), reducing the Right-of-Way budget and preliminary engineering budget. The Department has also been very prudent about

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1 SOUTH WILMINGTON STREET  
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keeping its vacancy rate low, currently at 12.4%, as well as decreasing the work performed by Private Engineering Firms.

- Mr. Sanderson remarked that revenue into the Department is coming in at much slower rate than anticipated due to the increased gas prices and decrease in Federal funding. Ms. Susan Coward explained that the Garvey bonds will be slowly implemented in 2006 and 2007, which will not provide significant relief to the current cash flow concerns.
- Mr. John Sullivan from FHWA discussed the recent changes in Federal funding including: \$284 Billion authorized, which was a 30% increase across the board for States. However, projected revenues are less than anticipated and restrictions are being placed on how much funding is appropriated. With SAFETEA-LU, States will have to use State funds to accelerate projects and be reimbursed with Federal monies. In addition, there have been restrictions placed on how States can use the Federal funds. Twenty-five percent of the Federal funds were designated, leaving \$26 Billion for States. Garvey Bonds will help the state program more projects. However, they will not help the State accelerate projects. Mr. Sullivan advised that by the year 2009, the Highway revenues are projected to go below zero.
- Mr. Sanderson reminded the committee that the cost to construct highway projects has increased by an average of 14% per year for the last three years. Specifically, those increases are approximately 50% for structures, 35% for asphalt and by 30% for all large projects, excluding structures.

*Update of Project Lettings-TIP & Division.....Debbie Barbour, Steve Varnedoe*

- Ms. Debbie Barbour advised that the Department is developing a strategy to manage the TIP budget to an acceptable level. Currently, the 12-month letting list has been removed from the Department's web site. It will be updated with the new letting schedule and posted within the next month. The Design-Build projects were deferred from the May letting. The Department will proceed with the June letting as planned.
- Mr. Steve Varnedoe provided an overall summary of Division spending for 2005-06. The cash management model for all other non-TIP programs does include spending thresholds. The Divisions have to manage these budget limitations. The North Carolina Moving Ahead! figures include carryover balances, where work was deferred from last year. It is anticipated that 60-70% of the maintenance costs will be performed by State forces and 35-40% of the Secondary Road Construction will be through contract forces.

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Legislative.....Susan Coward

- Ms. Susan Coward advised that the State Senate Transportation budget for the fiscal year 2006-2007 is \$195M but it does not include the \$17M from the borrowed Highway Funds. Also, the Department can anticipate collecting around \$24M from gas taxes by January 1, 2007. Ms. Coward also advised that the next item for the legislative agenda for Transportation Issues will be the General Contractor licensing exception.

*CAGC-DOT Cost Containment Brainstorming Session.....Steve DeWitt*

- Mr. Steve DeWitt updated the committee on the upcoming “brainstorming” group session to identify areas where we can improve our processes to achieve the desired results and increase efficiencies. Mr. Berry Jenkins submitted names for the CAGC participant-members of this group. NCDOT is also expected to provide names for the brainstorming group, which will meet during the month of June 2006.

*Immigration Issues.....Ellis Powell*

- Mr. Ellis Powell stated that a reporter contacted the NCDOT Public Information Office stating they had documentation that two people were working on two different Department projects without the proper immigration papers, based on a review of records from the Resident Engineer’s office. The Department wrote letters to the contractors requesting they take appropriate action regarding the employees in question. The Department also notified the Federal Highway Administration (FHWA) of the allegations. Mr. Powell advised the AGC members that their firms are responsible for verifying work eligibility for any person on their payroll.

*DBE Subcommittee Update.....Steve DeWitt*

- Mr. Steve DeWitt informed the group that the DBE Work Group is continuing to pursue various updates and changes to the current business process. Mr. DeWitt provided a copy of the proposed “Letter of Intent” and requested comments. Mr. Mike Long expressed concern that a Contractor would not want this to be misinterpreted as a “guarantee” of work or payment, if the contract was not awarded. Industry members suggested that additional clarification be made to the form to clearly identify this concern and that the quantities identified were “variable” based on actual quantities on the project. Mr. DeWitt advised that he would take these comments back to the working group for further consideration.

*Status of Fuel Adjustment Review.....Ellis Powell*

- Mr. Ellis Powell advised that Asphalt Cement (AC) price adjustment provisions are included in all centrally let projects. The adjustments have not previously been included in Division/Purchase Order contracts, as these projects are typically of short duration. He further stated that the Department may consider adding the AC price adjustment provisions on Division contracts that are of a longer duration.
- Mr. Powell updated the committee regarding a recent industry request for consideration of changes in the fuel adjustments for unclassified, borrow, aggregate base course (ABC), fine grading, structure work, and trucking items. Mr. Powell advised that the fuel factor for the unclassified excavation did not need to be adjusted at this time based on examination of the supporting documentation provided, as there was only a small change from the current factor of 0.29. Mr. Powell further advised that the request to change the ABC factor from 0.55 to 1.0 needed further study and that Mr. Victor Barbour will facilitate this review. Mr. Powell advised that the item of fine grading is paid on a lump sum basis, inclusive of all costs, and therefore, a request for the addition of a fuel adjustment is not supported by the Department. Regarding fuel adjustments on structure work, Mr. Powell advised that this provision was included in one Design-Build project to minimize the risk associated with a long lead time prior to the work beginning due to design and subsequent submittals. However, it will not be included in typical contracts. Mr. Powell also advised that trucking fuel adjustments were included in a 1980 FHWA report, which served as the basis for the development of the current fuel adjustment provision. Adjustments for gasoline were once included in Department contracts; however, this provision was eliminated, since almost all current hauling vehicles use diesel fuel instead of gasoline.
- Overall, Mr. Powell advised that the Department will not change the current fuel adjustment provisions, with the possible exception of ABC, which Mr. Barbour will provide additional details. Mr. Powell also referred this issue of contract adjustments for fuel to the Joint Roadway Subcommittee.

*Galvanization of Traffic Control Barrier Connections.....Steve Varnedoe*

- Mr. Steve Varnedoe stated that manufacturers of the traffic control barrier connections want the Department to waive the requirement to galvanize J-hooks. The Department is requesting the industry's feedback on the life of the barrier from project to project, any liability issues of the connection pieces rusting and the cost effectiveness to galvanize these connections. Mr. Varnedoe requested that feedback be sent to him within the next few weeks.

*Archaeological Review Permits Process.....Sim Wooten*

- Mr. Sim Wooten brought to the committee's attention that there is a possible trend on proposed borrow pits to obtain proof from an archaeologist that the site does not contain any findings of historical relevance. This requirement costs approximately \$25,000 for each site. The intent of this requirement is to preserve archaeological findings, if they are discovered. The General Statutes require that the work cease if findings of historical relevance are encountered. The industry believes that this trend may be causing unnecessary expenses to the Department, as it is not needed at every site. Mr. Len Sanderson advised that Ms. Debbie Barbour will review this issue and report back findings at the next committee meeting.

*Additional Miscellaneous Issues.....Committee Members*

- Mr. Graham Moore proposed that since a large number of projects are bid greater than 10% above the Engineer's Estimate, rejected and re-bid approximately two months later, the Department may want to consider waiting until after the project is awarded to publish the bid tabs. Industry members present felt that this was acceptable and will poll other industry members to determine if there are concerns. Mr. Len Sanderson agreed to examine Mr. Moore's proposal and for Mr. Victor Barbour to research this request and place it on the agenda for the next committee meeting.
- Mr. DeWitt requested information from the industry regarding their Engineers' salary schedules. The Department is seeking this information for comparison with its own salary schedules for Engineers. Mr. DeWitt advised that if Contractors were interested in assisting, their Human Resources section should contact him directly so that any information provided will remain confidential.

The next meeting will be scheduled for July 20, 2006, at 10:00 A.M. at the Chief Engineer's Conference Room at Beryl Road, Raleigh.

KS:kdI

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Mr. Dan DeVane

Mr. Roberto Canales, PE

Mr. W. D. Riddick

Mr. L. A. Sanderson, PE

Mr. W. S. Varnedoe, PE

Ms. D. M. Barbour, PE

Mr. S. D. DeWitt, PE

Mr. W. F. Rosser, PE

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Mr. L. D. Love, PE

Mr. B. G. Jenkins, Jr., PE

Mr. C. L. Jones, PE

Mr. J. V. Barbour, PE

Mr. Art McMillan, PE

Mr. C. W. Leggett, PE